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TESTIMONY OF A.R. WATTS
OF

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 95-006-E

IN RE: DUKE POWER COMPANY

S.C. PUBLIC SERVICE COMMISSION
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UTILITIES DIVISION

Q. WOULD YOU PLEASE STATE YOUR NAME, ADDRESS AND
OCCUPATION?

A. A.R. Watts, 111 Doctors Circle, Columbia, South
Carolina. I am employed by the Public Service
Commission of South Carolina, as an Engineer
Associate IV in the Utilities Department.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.

A. I received a B.S. Degree in Electrical Engineering
from the University of South Carolina in Columbia in
1976. I was employed at that time by this
Commission as a Utilities Engineer in the Electric
Department and have been in my present position
since July 1995. I have attended professional
seminars relating to Electric Utility Rate Design,
and have testified before this Commission in
conjunction with fuel clause and general rate
proceedings.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
2 PROCEEDING?

3 A. The purpose of my testimony is to summarize Staff's
4 findings and recommendations as set forth in the
5 Utilities Department's portion of the Staff Report.

6 Q. MR. WATTS, WHAT SPECIFIC AREAS WERE ENCOMPASSED BY
7 STAFF'S EXAMINATION?

8 A. The Utilities Department's examination of the
9 Company's fuel operations generally consists of a
10 review of the Company's monthly operating reports,
11 on-site inspections of the Company's coal quality
12 sampling techniques, review of the currently
13 approved adjustment for fuel costs tariff and a
14 review of the Company's short-term projections of
15 kilowatt-hour sales and fuel requirements.

16 Q. DID STAFF REVIEW THE NUCLEAR OPERATIONS FOR THIS
17 PERIOD?

18 A. Yes, we looked at the Company's operation of its
19 nuclear production facilities during the six month
20 period of this fuel proceeding to determine if the
21 Company made every reasonable effort to minimize
22 fuel costs or if any decision of the Company
23 resulted in unreasonable fuel costs. This review
24 was coupled with a reliability of service criteria.

25 Q. WOULD YOU DISCUSS THE METHODOLOGY USED IN THIS

1 PROCESS?

2 A. Yes. We looked at each plant outage by review of
3 Company reports and correspondence between the
4 Company and the Nuclear Regulatory Commission (NRC)
5 concerning the outages which required reporting. We
6 then spent time with Company representatives to
7 discuss each outage and the sequence of events which
8 lead to the outage and those which dictated the
9 duration of the outages.

10 Q. IN YOUR REVIEW OF THE COMPANY'S PLANT OPERATIONS,
11 HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT A
12 DETERMINATION THAT ANY COMPANY ACTION CAUSED ITS
13 CUSTOMERS TO BE SUBJECT TO PAYING HIGHER FUEL COSTS?

14 A. No, in the ruling of the Supreme Court of South
15 Carolina in Hamm vs. Public Service Commission and
16 Carolina Power & Light Company, it states, "The
17 rule does not require the utility to show that its
18 conduct was free from human error; rather, it must
19 show that it took reasonable steps to safeguard
20 against error." Staff believes the Company has met
21 this burden to take reasonable steps to safeguard
22 against personnel error associated with our
23 examination of the operations and outages at the
24 Catawba, McGuire and Oconee Nuclear Stations that
25 were reviewed for this proceeding. Specifically the

1 Company's nuclear units operated at an overall
2 average capacity factor of 92% for the period.

3 Q. MR. WATTS, DID STAFF EXAMINE THE OPERATION OF THE
4 COMPANY'S FUEL TARIFF FOR THE PERIOD UNDER REVIEW?

5 A. Yes, Exhibit No. 10 is a table of Projections of the
6 Cumulative Recovery Account for various fuel base
7 levels for the six month period ending May 1996.
8 Using the currently projected sales and fuel cost
9 figures through May 1996, and a projected cumulative
10 over recovery of \$841,939 through November 1995,
11 the average projected fuel expense is approximately
12 1.0021 ¢/KWH for the six months ending in May 1996.
13 Applying this fuel factor to the period would create
14 an estimated \$3,968 under recovery in the cumulative
15 recovery account. The currently approved base fuel
16 factor is 1.0000 ¢/KWH. Applying the current fuel
17 factor, which is also the Company's proposed factor
18 to the period would create an estimated \$221,323
19 under recovery.

20 Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES
21 DEPARTMENT EXHIBITS?

22 A. Staff Exhibit No. 1 is the Power Plant Performance
23 Data Report which is a listing of power plant
24 capacity factors and equivalent availability
25 factors, respectively. Exhibit No. 2A shows the

1 Company's Nuclear Unit Outages for the months of
2 April 1995 through September 1995, listing the
3 plants by unit, duration of the outage, reason for
4 outage, and corrective action taken. Exhibit No. 2B
5 lists the Fossil Unit Outages by unit for the
6 duration of 100 hours or greater, the reason and
7 corrective action taken. Exhibit No. 3 lists the
8 Company's percentage Generation Mix by fossil,
9 nuclear, and hydro for the period April 1995 through
10 September 1995. Exhibit No. 4 reflects the
11 Company's major plants by name, type of fuel used,
12 fuel cost in cents per KWH to operate, and total
13 megawatt-hours generated for the six months ending
14 September 1995. Exhibit No. 5 shows a comparison of
15 the Company's original retail megawatt-hour
16 estimated sales to the actual sales for the six
17 month period ending September 1995. The Company's
18 forecast of sales has been projected with a high
19 degree of accuracy. Exhibit No. 6 is a comparison of
20 the original fuel factor projections to the factors
21 actually experienced for the six months ending
22 September 1995. Exhibit No. 7 is a graphical
23 representation including historical and projected
24 data given in Exhibit No. 6 commencing January 1995.
25 Exhibit No. 8 is the Company's currently approved

1 retail adjustment for fuel costs tariff.
2 Exhibit No. 9 is a history of the cumulative
3 recovery account.

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes, it does.
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